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9 June 1948

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MEMORANDUM FOR THE PRESIDENT

The unification by the US, the UK, and France of their zones of Germany under a provisional government and the internationalization of the Ruhr under the control of the western powers presumably will be interpreted by the Kremlin as potential barriers to the basic Soviet objective of preventing the economic recovery of European countries outside the Soviet sphere.

As yet no conclusive evidence has come to light that the Kremlin believes the reorganization or unification of the western zones can be successfully accomplished or will materially assist the European recovery program. In view of the complexities inherent in the establishment of a provisional government under the London agreements, the USSR is likely to delay any counter moves until the Kremlin is convinced that the western German organization is becoming a threat to Soviet foreign policy. In determining its course, the USSR will take careful note of: (1) the difficulties to be overcome by the US, the UK, and France in furnishing the new regime with proper political guidance and adequate and timely economic assistance; and (2) the extent of German cooperation or non-cooperation, particularly in the Ruhr.

The Kremlin's immediate reaction to the trizonal merger, therefore, will probably be an intensification of present Soviet activities in Germany rather than an abrupt change in either attitude or course of action. The USSR may be expected to continue its hindrance of western powers in Berlin and elsewhere in Germany by means short of military force. It will further consolidate Communist control of the eastern zone in order to obtain a "loyal" and "democratic" area, which can eventually be declared a "free German" state or used to Sovietize a unified Germany. The USSR may be expected also to step up its propaganda efforts to discredit the western powers in German eyes as the disrupters and despoilers of Germany and to depict the Soviet Union as the champion of a unified Germany.

If the trizonal merger appears successful and promises to rehabilitate western Germany as well as contribute to the European recovery program, the Kremlin will probably be impelled to alter its present tactics. Exclusive of a resort to military force, the Kremlin can logically pursue one of two courses: (1) ostensibly abandon its recalcitrant attitude and make an attractive offer to form a unified German Government under quadripartite control (in order to slow the progress of German recovery); or (2) retaliate by establishing an eastern German state.

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The Kremlin will probably resort to the course outlined in (1) and make a vigorous effort to persuade the western powers that the USSR is sincere in its promises of cooperation. The Soviet Union is likely to make a serious endeavor to join its zone to the western zone under a single government, unless western terms for Soviet participation in a new quadripartite structure are prohibitive. If the Kremlin concludes that it cannot make the concessions demanded by the western powers, the USSR will likely adopt course (2) and announce the establishment of a new state in eastern Germany with propaganda pretensions of being the only legally-constituted German Republic and the representative government of all Germans.

R. H. HILLINGDETER
Rear Admiral, USN
Director of Central Intelligence

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**ESTIMATE OF SOVIET REACTION IN GERMANY TO UNIFICATION
OF THE THREE WESTERN ZONES**

APPENDICES A & B

A - Discussion of possible Soviet course (1)

Any suggestion by the USSR that it join the western powers in the quadripartite control of a unified German government would be made with the full realization on both sides that past Soviet obduracy, chiefly in the matter of economic unification, had exhausted the patience of the US, the UK, and France, and had led directly to the present tripartite action. The USSR will realize, too, that the western powers would be extremely reluctant to abandon their program for the western zone: either to please the Soviet Union or to take part again in fruitless discussions in an impotent Allied Control Council or elsewhere. It is probable, therefore, that any Soviet overture would be carefully worded to give the impression that the USSR had abandoned its previous intransigent attitude, and sincerely believed its own propaganda for German unity. The overture would seriously urge the western powers to consider an overall political and economic unification of Germany under a German government with a minimum of overt occupation power control.

Because the primary Soviet purpose in making such a suggestion would be to delay German and hence western European recovery by discussions and other typical Soviet delaying tactics, the USSR would be prepared to offer important tactical concessions in the form of the German administration to be established. Under almost any circumstances, the USSR could be sure that the merger of the Soviet Zone in any form of a unified Germany would assure the existence of a Communist-controlled bloc which could be relied upon to delay and block economic recovery throughout the country. Under these conditions, the USSR might also offer, largely for German domestic consumption, to reduce or drop some Soviet reparations claims, or even possibly to consider substantial reductions in the occupation forces after a "democratic" state had been firmly established.

If the western powers should permit the USSR to join in a quadripartite zonal merger without first having absolute and therefore practically impossible clarification of Soviet intentions, the USSR, either directly or through its German representatives, would work actively to defeat western plans

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by such actions as: (1) demanding a Soviet voice in the control of the Ruhr; (2) proposing that all political organizations not now permitted in various areas be recognized on a quadripartite basis; (3) urging similar recognition of the Communist-dominated Free German Trade Union League in order to facilitate future Soviet control of a unified labor movement, particularly in the Ruhr; and (4) supporting rightist as well as leftist political elements in the west in order to add strength to the Soviet-controlled bloc.

2 - Discussion of possible Soviet course (2)

The present high degree of Soviet control over the eastern zone of Germany would greatly facilitate the conversion of that area into a Satellite state, if the Kremlin decides to retaliate by setting up a provisional government in eastern Germany. No serious opposition could arise within the zone to the appointment, under the pretense of popular elections, of Soviet candidates to the leading positions in the new state. The creation of such a state, however, would give the USSR no immediate benefits beyond those now received from the same area. Long-range benefits would be dependent upon the acceptance by opportunistic Germans of transparent Soviet propaganda designed to depict the Soviet-sponsored state as a restoration of the Reich. The USSR would attempt to undermine the tripartite German state by urging the western Germans to rejoin the Reich. Except for the questionable value of such propaganda, the USSR would have at its disposal only strikes and sabotage with which to interfere with the economic and political recovery of western Germany.

A Satellite state, in short, would promise the USSR neither additional economic nor political benefits of any magnitude, and would fall short of the immediate objective of blocking the western power program. Such a state would guarantee continued zonal autonomy and allow the western powers to continue their independent course without serious Soviet interference.